GREATER GIYANI MUNICIPALITY
Annual financial statements
for the year ended June 30, 2009

General Information

Legal form of entity	Local Municipality
Mayoral committee	
Councillors	MD Mathebula (Mayor) RT Mabunda (Speaker) SJ Mohale (Chief Whip) PH Mabunda (EXCO member) JH Bilankulu (EXCO member) KS Manganyi (EXCO member) AT Mokoena (EXCO member) MP Hlungwani (EXCO member) RB Baloyi (EXCO member) HD Shivambu (EXCO member) D Mashaba (EXCO member) HW Chabalala (EXCO member)
Grading of local authority	Grade 3
Accounting Officer	Gezani Isaac Masingi
Chief Finance Officer (CFO)	Eadie Makamu
Business address	BA 59 Civic Centre GIYANI
Postal address	Private X9559 GIYANI 0826

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The reports and statements set out below comprise the annual financial statements presented to the Audit Committee of Greater Giyani Municipality:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to June 30, 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Service Charges and Grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Greater Giyani Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The Accounting Officer therefore further certifies that the remuneration of councillors as disclosed in the relevant note to the financial statements is in accordance with the Public Office Bearers Act, Act 20 of 1998 and the Minister of Co-operative Governance and Traditional Affairs 's determination of upper limits of the salaries, allowances and benefits as promulgated annually.

The annual financial statements set out on pages 4 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2009 and were signed on behalf of the Municipality by:

Accounting Officer

Statement of Financial Position

	Note(s)	2009 R	2008 R
ASSETS			
Current Assets			
Inventories	4	442,920	1,032,285
Trade and other receivables	5	43,362,135	33,953,462
VAT receivable	6	3,288,392	2,122,367
Consumer debtors	7	3,468,851	2,516,519
Cash and cash equivalents	8	1,288,199	657,556
Total Current Assets		**51,850,497**	**40,282,189**
Non-Current Assets			
Property, plant and equipment	3	46,999,064	26,801,033
Total Non-Current Assets		**46,999,064**	**26,801,033**
Non-Current Assets		46,999,064	26,801,033
Current Assets		51,850,497	40,282,189
Non-current assets held for sale (and) (assets of disposal groups)		-	-
TOTAL ASSETS		**98,849,561**	**67,083,222**
LIABILITIES & NET ASSETS			
LIABILITIES			
Current Liabilities			
Trade and other payables	12	46,277,900	37,655,092
Unspent conditional grants and receipts	11	-	2,478,754
Provisions		-	-
Bank overdraft	8	4,370,426	4,518,753
Total Current Liabilities		**50,648,326**	**44,652,599**
Non-Current Liabilities		-	-
Current Liabilities		50,648,326	44,652,599
Liabilities of disposal groups		-	-
TOTAL LIABILITIES		**50,648,326**	**44,652,599**
Assets		98,849,561	67,083,222
Liabilities		(50,648,326)	(44,652,599)
NET ASSETS			
Government grant reserve	10	-	225,227
Accumulated surplus		48,201,235	22,205,392
TOTAL NET ASSETS		**48,201,235**	**22,430,619**
TOTAL NET ASSETS AND LIABILITIES		**98,849,561**	**67,083,222**

Statement of Financial Performance

	Note(s)	2009 R	2008 R
Revenue			
Property rates	14	14,743,703	1,690,778
Service charges	15	6,087,199	3,151,876
Gains on disposal of assets		1,647,394	598,949
Rental Income		575,692	195,605
Income from agency services		1,002,540	502,610
Fines		138,319	161,895
Licences and permits		2,116,456	2,318,817
Government grants	16	90,385,578	62,193,931
Other Grants		1,181,786	1,040,892
Other income	31	556,223	617,308
Interest received - investment	21	367,079	231,612
Total Revenue		**118,801,969**	**72,704,273**
Expenditure			
Employee related costs	18	(48,716,673)	(39,245,806)
Remuneration of councillors	19	(11,804,314)	(11,225,290)
Depreciation and amortisation	22	(1,589,496)	(1,471,956)
Finance costs	23	(212,254)	(314,050)
Debt impairment	20	(9,564,528)	(7,431,436)
Repairs and maintenance		(1,893,430)	(1,373,138)
Contracted services	26	(2,706,519)	(2,197,578)
General Expenses	17	(16,544,146)	(33,118,713)
Total Expenditure		**(93,031,360)**	**(96,377,967)**
Revenue		118,801,969	72,704,273
Expenditure		(93,031,360)	(96,377,967)
Other		-	-
Surplus (deficit) for the year		**25,770,609**	**(23,673,694)**

Statement of Changes in Net Assets

	Share capital / contributions from owners R	Government grant reserve R	Accumulated surplus R	Total net assets R
Balance at 01 July 2007	**-**	**296,350**	**37,396,178**	**37,692,528**
Changes in net assets				
Surplus for the year	-	-	(23,673,694)	(23,673,694)
Transfer to reserve (Inventory)	-	-	1,032,285	1,032,285
Property, plant and equipment purchase	-	-	7,379,500	7,379,500
Offsetting of depreciation	-	(71,123)	71,123	-
Total changes	-	(71,123)	(15,190,786)	(15,261,909)
Balance at July 01, 2008	**-**	**225,227**	**22,205,392**	**22,430,619**
Changes in net assets				
Transfer from GGR to Accumulated surplus	-	(225,227)	225,227	-
Restated balance as at 1 July 2008	-	-	**22,430,619**	**22,430,619**
Surplus for the year	-	-	25,770,609	25,770,609
Total recognised income and expenses for the year	-	-	25,770,609	25,770,609
Total changes	-	-	25,770,609	25,770,609
Balance at June 30, 2009	**-**	**-**	**48,201,235**	**48,201,235**
Note(s)		10		

Cash Flow Statement

	Note(s)	2009 R	2008 R
Cash flows from operating activities			
Cash generated from (used in) operations	27	20,764,274	(5,805,772)
Interest income		367,079	231,612
Finance costs		(212,254)	(314,050)
Transfer to reserve (property, plant & equipment)		-	7,379,500
Transfer to reserve (Inventory)		-	1,032,285
Net cash from operating activities		**20,919,099**	**2,523,575**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(21,787,527)	(8,405,798)
Sale of property, plant and equipment	3	1,647,394	930,649
Net cash from investing activities		**(20,140,133)**	**(7,475,149)**
Total cash movement for the year		**778,966**	**(4,951,574)**
Cash at the beginning of the year		(3,861,197)	1,090,377
Cash and cash equivalents at the end of the year	8	**(3,082,231)**	**(3,861,197)**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historic cost conversion unless otherwise stated.
The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

Standard of GRAP	
GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	The effects of changes in foreign exchange rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent asset

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies are consistent with the previous year.
The Minister of Finance has, in terms of General notice 522 of 2007 and General Notice 521 of 2008 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in table below as well as exemptions early adopted:

Standard No.	**Standard title**	**GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of general notice 552 of 2007 and 521 of 2008**	**Early adopted**
GRAP 03	Accounting policies, changes in accounting estimates and errors	Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31) Changes in accounting policies (GRAP 3.14, 19)	e.g. Early adopted in 2008
GAMAP 09	Revenue	Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)	
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17. The entire standard as far as it relates to water stock that was not purchased by the municipality.	
GAMAP 17	Property, plant and equipment	Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77)	

Accounting Policies

		Review of depreciation method applied to PPE recognised in the annual financial statements (GAMAP 17.62, 77) Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi)) Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))
GAMAP 09	Revenue	It is not permitted to limit the initial recognition of revenue as described in paragraphs 15(b), 24(b), 29(a), 37(a), 43(a), 47(a), 50(a) and 55(a). Municipalities must recognise revenue on a gross basis
GAMAP 17	Property, plant and equipment	In respect of assets received as a result of a transfer or adjustments of functions - Municipalities must apply GAMAP 17 in respect of assets that it has recognised. GAMAP 17 does not apply to assets that must still be recognised
IAS 11 (AC 109)	Construction contracts	Entire standard
IAS 14 (AC 115)	Segment reporting	Entire standard
IAS 17 (AC 105)	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11)
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))
IAS 20 (AC 134)	Accounting for government grants and disclosure	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.
IAS 36 (AC 128)	Impairment of assets	Entire standard
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed
IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value (IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17 Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))

Accounting Policies

IFRS 3 (AC 140)	Business combinations	Entire standard
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)
IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998
IFRS 8	Operating segments	Entire standard

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of International Financial Reporting Standards.

1.1 Significant Judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual statements and related disclosure. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Use of estimates

The preparation of financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Municipality 's accounting policies. The area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management 's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.2 Presentation of Currency

These annual financial statements are presented in South African Rand.

1.3 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.4 Property, plant and equipment

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost. Property, plant and equipment is stated at historical cost, less accumulated depreciation and impairment losses. Such assets are financed either by external loans, capital replacement reserve, government grants and contributions and donations.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Any trade discounts and rebates are deducted in arriving at the purchase price.

Directly attributable costs include the following:
- Cost of site preparation.
- Initial delivery and handling costs.
- Installation cost.
- Professional fees.
- Estimated cost of dismantling the asset.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Accounting Policies

1.4 Property, plant and equipment (continued)

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Where an item of property, plant and equipment is acquired at no cost, it is initially recognised at its fair value as at the date of acquisition.

Incomplete construction work is stated at historical cost and depreciated only when the asset is commissioned into use, and are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Depreciation

Depreciation is calculated at historical cost, using the straight-line method over the useful lives of the asset. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

Item	**Average useful life**
Buildings	30
Plant and equipment	2-15
Motor vehicles	4-7
Office equipment	3-7
IT equipment	3-5
Community halls	30
Roads, pavements, bridges and storm water	10-30
Security measures	3-10
Libraries	30
Car parks, bus terminals and taxi ranks	20
Street lighting	20-25
Refuse sites	30
Fire services	30
Clinics	30
Cemeteries	30
Park and gardens	10-30
Street names, signs and parking meters	5
Sport fields	10-30
Specialised vehicles	15
Water meters	7
Sewerage purification and reticulation	15-20
Water reservoirs and reticulation	15-20
Housing	30
Electricity reticulation	15-30

Residual value

The residual value of an asset is determined as the estimate amount that could currently be obtained from the disposal of the asset. The residual values of assets are reviewed at each financial year end.

Disposal of property, plant and equipment

The book values of assets are written off on disposal.

The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

- Additional text

Accounting Policies

1.5 Financial instruments

Classification

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables. Financial instruments are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

Trade and other receivables

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest

A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments of all debt outstanding for more than 150 days are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

When an under recovery occurs during the year an additional contribution for impairment is made from the accumulated surplus at year end.

Bad debts are written off during the year in which they are identified as irrecoverable.

Trade and other payables

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade creditors are recognised initially at cost price as permitted in terms of Gazette 30013 of 29 June 2007.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term investments that are held with registered banking institutions with maturities of 32 days or daily calls.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Accounting Policies

1.6 Investments held-to-maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating institution for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

1.7 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets.

Loans and receivables are classified as “trade and other receivables” in the Statement of Financial Position.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

1.8 Leases

Operating leases – lessee

Property, plant and equipment subjected to finance lease agreements are capitalised at their cost equivalent and the corresponding liabilities are raised.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

Operating lease payments or receipts are recognised on the basis of the actual cash inflows and outflows as per the lease contract as permitted in terms of Gazette 30013 of 29 June 2007.

1.9 Inventories

The cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

The process to identify immovable capital assets as inventory/stock are not finalised yet and were accounted for in terms of GAMAP 17 as permitted in terms of Gazette 30013 of 29 June 2007.

1.10 Turnover

Turnover comprises the fair values of the cosideration received or receivable for the sale of goods and services in the ordinary course of the Municipality 's activities. Revenue is shown net of value added tax, estimated retuns, rebates and discounts and after eliminated revenue within departments of the Municipality.

Revenue from Exchange Transactions

Service charges relating to water are based on consumption. Meter readings are taken on a monthly basis and are recognised as revenue when invoiced. Provisional estimates are not used to estimate the revenue.
Revenue from sale of goods is recognised when the risks and rewards of ownership are passed to purchaser.
Revenue arising from the application of the approved tarriff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tarriff. This includes the issuing og licences and permits.
Interest and rentals are regognised on a time proportion basis.
Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.
Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contribution have been received but municipality has not met the condition, a liability is recognised.
Revenue from property rates is recognised when the legal entitlement to this revenue arises.Collection charges are recognised when such amounts are legally enforceable.
Fines constitute both spot fines and summons . Revenue from spot fines and summons is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transfered to the Municipality. Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

ue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue are initially recognised at cost as permitted in terms of Gazette 30013 of 29 June 2007.

1.11 Provisions and contingencies

Provisions

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. Contingent assets are not recognised as assets.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

Accounting Policies

1.12 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is raised.

1.13 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Comparative figures

Budgeted amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.17 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

Defined benefit plans

The municipality contributes towards retirement benefits of its employees and councillors to the under-mentioned pension funds:

- Municipal Employees Pension Fund
- Municipal Gratuity Fund
- SAMWU Provident Fund.

Councillors are members of the Municipal Councillors' Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

1.18 Borrowing costs

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.19 Consumer Deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits as the GGM is not a deposits taking institution in terms o fBanking Act..

1.20 Events after balance sheet date

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements.

1.21 Value Added Tax

VAT is payable on the receipts basis. Only once the payment is received from debtors is VAT paid over SARS..

1.22 Impairment of assets

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.23 Revenue from exchange transactions

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

2.3 Standards and interpretations not yet effective

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2009 or later periods:

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2009 or later periods but are not relevant to its operations:

IFRIC 12 (AC 445) Service Concession Arrangements

The interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services, such as schools and roads. The interpretation states that for arrangements falling within its scope (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator will recognise:

- A financial asset where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement, or
- An intangible asset where the operator's future cash flows are not specified, for example where they will vary according to usage of the infrastructure asset, or
- Both a financial asset and an intangible asset where the operator's return is provided partially by a financial asset and partially by an intangible asset.

The effective date of the interpretation is for years beginning on or after January 01, 2008.

The municipality has adopted the interpretation for the first time in the 2009 annual financial statements.

The impact of the interpretation is set out in note Changes in Accounting Policy.

IFRIC 14 (AC 447) IAS 19 - The Limitation on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The interpretation addresses the limitation of a defined benefit asset in accordance with paragraph 58 of IAS 19 (AC 116) Employee Benefits. The interpretation provides guidance in the determination of the amount of economic benefits available in the form of refunds and reductions in future contributions, which will affect the maximum amount which may be measured as a defined benefit asset.

The effective date of the interpretation is for years beginning on or after January 01, 2008.

The municipality has adopted the interpretation for the first time in the 2009 annual financial statements.

The impact of the interpretation is set out in note Changes in Accounting Policy.

IFRIC 13 (AC 446) Customer Loyalty Programmes

IFRIC 13 (AC 446) clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

The effective date of the interpretation is for years beginning on or after July 01, 2008.

2. New standards and interpretations (continued)

The municipality has adopted the interpretation for the first time in the 2009 annual financial statements.

The impact of the interpretation is set out in note Changes in Accounting Policy.

IFRIC 16 (AC 449) Hedges of a Net Investment in a Foreign Operation

The interpretation deals with the following issues:

- Presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.
- Any entity or entities within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation. The parent entity holding the net investment in a foreign operation therefore does not also have to hold the hedging instrument.
- How an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.
- IAS 39 (AC 133) Financial Instruments: Recognition and Measurement must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, and IAS 21 (AC 112) The Effects of Changes in Foreign Exchange Rates must be applied in respect of the hedged item.

The effective date of the interpretation is for years beginning on or after October 01, 2008.

The municipality expects to adopt the interpretation for the first time in the 2010 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IFRIC 15 (AC 448) Agreements for the Construction of Real Estates

IFRIC 15 (AC 448) specifies whether an agreement for the construction of real estate is within the scope of IAS 11 (AC 109) Construction Contracts or IAS 18 (AC 111) Revenue, and thus impacts the related recognition of revenue. An agreement for the construction of real estate is a construction contract within the scope of IAS 11 (AC 109) only when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. Revenue in such cases should be determined in accordance with the percentage of completion of the contract. In all other cases, IAS 18 (AC 111) applies. If IAS 18 (AC 111) applies and the entity is required to provide the materials for the construction as well as carry out the construction activity, the supply represents the sale of goods. In such cases, revenue is recognised on delivery of the constructed asset. If the entity is not required to provide materials, but only to construct the real estate, the supply is the rendering of services, and revenue should be recognised on the percentage of completion basis.

The effective date of the interpretation is for years beginning on or after January 01, 2009.

The municipality expects to adopt the interpretation for the first time in the 2010 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IFRS 2 (AC 139) Amendment: IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations

The amendment clarifies that vesting conditions are only performance conditions or service conditions. All other conditions are non-vesting conditions. Non-vesting conditions are accounted for in the same manner as market conditions. It further clarifies that if either party can choose not to satisfy a non-vesting condition, then the arrangement is treated as a cancellation upon non fulfilment of that condition.

The effective date of the amendment is for years beginning on or after January 01, 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IAS 32 (AC 125) Financial Instruments: Presentation and IAS 1 (AC 101) Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation

2. New standards and interpretations (continued)

The revision requires that certain puttable financial instruments and other instruments that impose on the entity an obligation to deliver a pro rata share of the net assets of the entity on liquidation should be classified as equity if certain conditions are met. Any classifications of such items are to be disclosed in the financial statements, together with information concerning the entity's objectives and policies with regards to managing such obligations.

The effective date of the standard is for years beginning on or after January 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after January 01, 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 (AC 116) Employee Benefits

With regards to curtailments and negative past service costs clarification has been made that:

- When a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
- Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
- A curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of 'return on plan assets' has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"

The effective date of the amendment is for years beginning on or after January 01, 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation; IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures

The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through profit or loss or are classified as held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures are required together with the disclosures of IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after January 01, 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

2. New standards and interpretations (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 (AC 128) Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after January 01, 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable.

The effective date of the amendment is for years beginning on or after January 01, 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IAS 36 (AC 128) Impairment of Assets: Consequential amendments

Under certain circumstances, a dividend received from a subsidiary, associate or joint venture could be an indicator of impairment. This occurs when:

- Carrying amount of investment in separate financial statements is greater than carrying amount of investee's net assets including goodwill in consolidated financial statements or
- Dividend exceeds total comprehensive income of investee in period dividend is declared.

The effective date of the amendment is for years beginning on or after January 01, 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IFRS 3 (AC 140) (Revised) Business Combinations

The revisions to IFRS 3 (AC 140) Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.

2. New standards and interpretations (continued)

- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after July 01, 2009.

The municipality expects to adopt the standard for the first time in the 2009 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IAS 12 (AC 102) Income Taxes – consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements

The amendment is as a result of amendments to IAS 27 (AC 132) Consolidate and Separate Financial Statements. The amendment refers to situations where a subsidiary, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and profit or loss to the extent that it exceeds goodwill), only if it results from information in the measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period.

The effective date of the amendment is for years beginning on or after July 01, 2009.

The municipality expects to adopt the amendment for the first time in the 2009 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

The effective date of the amendment is for years beginning on or after July 01, 2009.

The municipality expects to adopt the amendment for the first time in the 2009 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IAS 39 (AC 133) Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after July 01, 2009.

The municipality expects to adopt the amendment for the first time in the 2009 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through profit or loss category if certain stringent conditions are met. It also permits an entity to transfer from the available for sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after July 01, 2009.

The municipality expects to adopt the amendment for the first time in the 2009 annual financial statements.

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 4: The Effects of Changes in Foreign Exchange Rates

The initial application of GRAP 4 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application on the initial adoption of the Standard except for the acquisition of foreign operations.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exits in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 7: Investments in Associates

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The investor must exercise judgement in the context of all available information to determine if it has significant influence over an investee.

An investor accounts for investments in associates in the consolidated annual financial statements using the equity method.

The initial application of GRAP 7 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 8: Interests in Joint Ventures

GRAP 8 uses a different definition for joint venture and joint control – contractual arrangement has been replaced by binding arrangement (public sector amendment) – public entities need to review current arrangements to determine whether they fall within the scope of GRAP 8 as a result of the public sector amendment.

Applying the definition of joint control as defined in this Standard may result in the identification of other entities that are also jointly controlled ventures in addition to those identified by complying with applicable legislation.

GRAP 8 incorporates guidance adopted from SIC13 on Non-monetary Contributions by ventures issued by the IASB i.e. provisions for accounting for non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity that is accounted for using either the equity method or proportionate consolidation. (Par.57-62).

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

2. New standards and interpretations (continued)

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 10: Financial Reporting in Hyperinflationary Economies

GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.

The initial application of GRAP 4 will have no impact on the annual financial statements.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 11: Construction Contracts

The definition for “construction contract” was expanded by including a binding arrangement that do not take the form of a legal contract within the scope of the Standard.

Definition for “cost plus or cost based contract” has been expanded to include commercially-based contract.

The scope has been expanded to include cost based and non-commercial contracts.

Public entities need to review contracts to determine whether they fall within the scope of the Standard based on the above changes.

GRAP 11 incorporates the concept of service potential in the condition to determine whether the outcome of a construction contract can be estimated reliably. The requirement to recognise an expected deficit on a contract immediately when it becomes probable that contract costs will exceed total contract revenue applies only to contracts in which it is intended at the inception of the contract that contract costs are to be fully recovered from the parties to that contract (par.47).

Other than the above requirements, there is no other affect on initial adoption of GRAP 11.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospect application of the Standard.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2. New standards and interpretations (continued)

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:
- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after April 01, 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after April 01, 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after April 01, 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. “Non-cash-generating assets” are assets other than cash-generating assets and “value

2. New standards and interpretations (continued)

in use of a non-cash-generating asset" is the present value of the asset's remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a subsidiary acquired exclusively with a view to resale.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires prospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standard of Property, Plant and Equipment until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 101: Agriculture

GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

Recognition requirement includes the concept of the probable flow of service potential.

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

Additional disclosure is required of biological assets for which the entity's use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair value less estimated point-of-sale costs.

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard initially adopted. Comparative information is not required to be restated on initial adoption of this Standard.

Directive 4 - Transitional provisions for medium and low capacity requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard is initially adopted. Comparative information is not required to be restated. Entities are not required to recognise biological assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of this Standard.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after April 01, 2010.

The municipality expects to adopt the interpretation for the first time in the 2011 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after April 01, 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

	2009	2008
	R	R

3. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
PPE						
Buildings - Municipal and civic	12,339,454	(701,659)	11,637,795	11,294,500	(383,800)	10,910,700
Plant and machinery	8	-	8	8	-	8
Furniture and fixtures	47,492	(20,664)	26,828	31,986	(10,758)	21,228
Motor vehicles	1,260,292	(744,301)	515,991	1,260,292	(492,250)	768,042
Office equipment	88,521	(75,068)	13,453	65,506	(45,518)	19,988
IT equipment	676,293	(563,274)	113,019	509,301	(302,622)	206,679
Air conditioners	135,602	(83,593)	52,009	135,602	(54,990)	80,612
Buildings - Community	2,343,000	(234,703)	2,108,297	2,343,000	(168,764)	2,174,236
Sport and recreation facilities	13,793,052	(1,798,449)	11,994,603	13,793,052	(1,173,512)	12,619,540
Total PPE	30,683,714	(4,221,711)	26,462,003	29,433,247	(2,632,214)	26,801,033
Capital Work In Progress						
Infrastructure	15,594,814	-	15,594,814	-	-	-
Buildings - Industrial and markets	4,942,247	-	4,942,247	-	-	-
Total Capital Work In Progress	20,537,061	-	20,537,061	-	-	-
Total	**51,220,775**	**(4,221,711)**	**46,999,064**	**29,433,247**	**(2,632,214)**	**26,801,033**

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Depreciation	Total
PPE				
Buildings - Municipal and civic	10,910,700	1,044,953	(317,858)	11,637,795
Plant and machinery	8	-	-	8
Furniture and fixtures	21,228	15,506	(9,906)	26,828
Motor vehicles	768,042	-	(252,051)	515,991
Office equipment	19,988	23,015	(29,550)	13,453
IT equipment	206,679	166,992	(260,652)	113,019
Air conditioners	80,612	-	(28,603)	52,009
Buildings - Community	2,174,236	-	(65,939)	2,108,297
Sport and recreation facilities	12,619,540	-	(624,937)	11,994,603
Total PPE	26,801,033	1,250,466	(1,589,496)	26,462,003
Capital Work In Progress				
Infrastructure	-	15,594,814	-	15,594,814
Buildings - Industrial and markets	-	4,942,247	-	4,942,247
Capital Work In Progress	-	20,537,061	-	20,537,061
	26,801,033	**21,787,527**	**(1,589,496)**	**46,999,064**

Notes to the Annual Financial Statements

	2009 R	2008 R

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Depreciation	Total
Buildings - Municipal and civic	3,784,500	7,379,500	-	(253,300)	10,910,700
Plant and machinery	8	-	-	-	8
Furniture and fixtures	18,277	9,169	-	(6,218)	21,228
Motor vehicles	1,366,214	-	(432,649)	(165,523)	768,042
Office equipment	43,673	-	-	(23,685)	19,988
IT equipment	216,800	184,101	-	(194,222)	206,679
Air conditioners	108,482	-	-	(27,870)	80,612
Buildings - Community	2,264,900	-	-	(90,664)	2,174,236
Sport and recreation facilities	12,312,023	833,028	-	(525,511)	12,619,540
	20,114,877	**8,405,798**	**(432,649)**	**(1,286,993)**	**26,801,033**

Commitments at year end

The following projects are multi year projects and are budgeted over a period of more than one year. At year end the commitment were as follows:

Project	**Award Amount**	**Amount Spent**	**Commitments**
	-	-	-
Giyani D1 Street	4,622,953	2,759,975	1,862,978
Giyani Section A Gravel to Tar	4,048,929	1,305,683	2,743,247
Giyani Section DA Street	11,119,046	6,676,134	4,442,912
Kheto Bridge	8,000,000	6,170,083	1,829,917
Rivala Road	2,143,476	-	2,143,476
Mninginsi Road	3,316,400	280,987	30,354,112

Land and buildings include administrative offices and municipal houses located in various sections of the Giyani township. Land and buildings were valued by MOD HOPE Property Valuer, registered independent valuers. The last valuation was performed as part of the general valuation of all properties within the municipal area for the compilation of the valuation roll in terms of the MPRA and approved by council for implementation with effect from 1 July 2008

4. Inventories

Consumable stores	442,920	1,032,285

Take on values were determined though internal valuation, taking into account current prices and the condition of the stock items.

5. Trade and other receivables

Staff debtors	339,655	399,120
Sundry debtors	195,000	195,000
Trade debtors	(195,000)	-
Debtors - agency services	43,022,480	33,359,342
	43,362,135	**33,953,462**

Other debtors are recognised at cost as permitted in terms of gazette 30013 of 29 June 2007.

Staff debtors for an amount of R339,665 relate to amounts owed by councillors which arose from exceeding cell phone limits on the Vodacom group subscription. Cellphone contract with Vodacom was based on the cell phone allowance of the councillors, but the contract was not implemented correctly by the service provider to ensure the limit are not exceeded. As a result of delays in recovering the amount outstanding from the service provider monthly deductions from the salaries of

	2009 R	2008 R

5. Trade and other receivables (continued)
the affected councillors are bieng implemented with effect from june 2009.

6. VAT receivable

VAT	3,288,392	2,122,367

VAT receivable mainly comprises of VAT raised when customers are billed (i,e.accrual basis) but is accounted for on cash basis and this resulted in less VAT claimable.

7. Consumer debtors

	2009 R	2008 R
Gross balances		
Rates	14,335,872	5,625,094
Sewerage	975,047	380,398
Refuse	8,886,328	8,103,390
Housing rental	233,495	-
	24,430,742	**14,108,882**
Less: Provision for bad debts		
Rates	(12,421,598)	(4,621,778)
Sewerage	(844,849)	(312,549)
Refuse	(7,695,444)	(6,658,036)
	(20,961,891)	**(11,592,363)**
Net balance		
Rates	1,914,274	1,003,316
Sewerage	130,198	67,849
Refuse	1,190,884	1,445,354
Housing rental	233,495	-
	3,468,851	**2,516,519**
Rates		
Current (0 -30 days)	544,969	224,495
31 - 60 days	457,482	346,885
61 - 90 days	525,481	222,167
91 - 120 days	386,343	110,661
121 - 365 days	2,896,161	708,133
> 365 days	9,525,437	4,012,753
	14,335,873	**5,625,094**
Water		
Current (0 -30 days)	1,635,471	1,267,812
31 - 60 days	1,372,919	1,064,652
61 - 90 days	1,576,989	1,222,837
91 - 120 days	1,159,429	898,712
121 - 365 days	8,691,486	6,739,175
> 365 days	28,586,186	22,166,155
	43,022,480	**33,359,343**
Sewerage		
Current (0 -30 days)	37,066	14,451
31 - 60 days	31,115	12,107
61 - 90 days	35,740	13,669
91 - 120 days	26,277	10,154

Notes to the Annual Financial Statements

	2009 R	2008 R
7. Consumer debtors (continued)		
121 - 365 days	196,981	76,939
> 365 days	647,868	253,078
	975,047	**380,398**
Refuse		
Current (0 -30 days)	338,659	308,370
31 - 60 days	284,292	259,104
61 - 90 days	326,549	297,422
91 - 120 days	240,084	218,962
121 - 365 days	1,799,756	1,640,385
> 365 days	5,895,688	5,379,147
	8,885,028	**8,103,390**
Housing rental		
Current (0 -30 days)	26,452	-
31 - 60 days	22,206	-
61 - 90 days	25,506	-
91 - 120 days	18,753	-
121 - 365 days	140,578	-
	233,495	**-**
Reconciliation of bad debt provision		
Balance at beginning of the year	11,592,363	4,160,927
Contributions to provision	9,369,528	7,431,436
	20,961,891	**11,592,363**

Debtors are recognised at cost as required in terms of gazette 30013 of 29 June 2007.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2009 R	2008 R
Cash on hand	22,543	-
Fixed Deposit	174,200	157,069
Call investment deposit	766,495	250,435
Bank balances - Secondary	324,961	250,052
Bank overdraft	(4,370,426)	(4,518,753)
	(3,082,227)	**(3,861,197)**
Current assets	1,288,199	657,556
Current liabilities	(4,370,426)	(4,518,753)
	(3,082,227)	**(3,861,197)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2009	June 30, 2008	June 30, 2007
FNB BANK - Current Account - 62024288103	(4,370,426)	(4,518,753)	(2,628)	(4,370,426)	(4,518,753)	(2,628)
FNB BANK - Current Account - 62030539764	369,658	250,052	8,908	324,961	250,052	8,908
FNB BANK - Call Deposit - 62120531696	574,856	73,104	44,474	574,856	73,104	44,474

Notes to the Annual Financial Statements

	2009 R	2008 R

8. Cash and cash equivalents (continued)

FNB BANK - Call Deposit - 62120531985	191,638	177,330	121,930	191,638	177,330	121,930
	(3,234,274)	(4,018,267)	172,684	(3,278,971)	(4,018,267)	172,684
FNB BANK - Fixed Deposits - 71032635579	174,200	157,069	915,046	174,200	157,069	915,046
Total	**(3,060,074)**	**(3,861,198)**	**1,087,730**	**(3,104,771)**	**(3,861,198)**	**1,087,730**

Bank overdraft balance-

The municipality operates an overdraft facility approved for a maximum limit of R5M as at 30 June 2009.

Fixed Deposit

The Fixed deposit has a guarantee amount of R144,000 pledged as deposit for the electricity account with Eskom.

9. Accumulated surplus

	2009	2008
Balance at beginning of the year	22,430,619	37,396,178
Surplus (deficit) for the year	25,770,609	(23,673,694)
Property, plant & equipment first recognised	-	7,379,500
Other assets first recognised	-	1,032,285
Prior year adjustment for transfer of GGR to Accumulated Surplus	-	296,350
	48,201,228	**22,430,619**

10. Government grant reserve

	2009	2008
Balance at beginning of the year	-	296,350
Offsetting of depreciation	-	(71,123)
Prior year adjustment for transfer of GGR to Accumulated Surplus	-	(225,227)
	-	**-**

Notes to the Annual Financial Statements

	2009 R	2008 R

11. Deferred income / Unspent conditional grants and receipts

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

12. Trade and other payables

	2009 R	2008 R
Trade payables	4,361,897	7,551,882
Payroll creditors	2,671,639	4,156,826
Accrued leave pay	3,102,563	1,926,400
Accrued bonus	1,158,149	-
Deposits received	245,348	216,185
Agency Creditor (MDM)	34,738,304	23,803,799
	46,277,900	**37,655,092**

Creditors are recognised at cost and no interest was recognised as a result of any time value of money adjustments as permitted per gazette 30013 of 29 June 2007

Fair value of trade and other payables

Describe the method for determining fair values. Where a valuation technique has been applied, the assumptions are also to be disclosed.

The carrying amount of loans to and from shareholders are denominated in the following currencies:

13. Revenue

	2009 R	2008 R
Rendering of services	20,830,902	4,842,654
Rental Income	575,692	195,605
Income from agency services	1,002,540	502,610
Fines	138,319	161,895
Licences and permits	2,116,456	2,318,817
Government grants	90,385,578	62,193,931
Other Grants	1,181,786	1,040,892
	116,231,273	**71,256,404**

14. Property Rates

Rates received

	2009 R	2008 R
Property rates	14,743,703	1,690,778

The municipality has compiled and approved a valuation roll in accordance with the Municipal Property Rates Act (Act no 6 of 2003) for implementation with effect from 01 July 2008.

15. Service charges

	2009 R	2008 R
Solid waste	5,118,905	2,435,699
Sewerage and sanitation charges	968,294	716,177
	6,087,199	**3,151,876**

Notes to the Annual Financial Statements

	2009 R	2008 R

16. Government grants and subsidies

Equitable Share	60,225,802	46,913,388
Finance Managemt Grant (FMG)	500,000	500,000
Infrastructure Grant (MIG)	18,186,754	8,869,341
System Improvement Grant (MSIG)	735,000	734,000
Transfers from District (MDM)	7,943,384	3,041,744
Sundry Grants	581,167	-
Dept of LG&H	-	36,528
LG SETA	211,702	98,930
LEDET (LED)	2,001,769	2,000,000
	90,385,578	**62,193,931**

Equitable share

This grant is an unconditional grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a rebate of 6KL for water and 100% discount for assessment rates subsidised from the equitable share

Finance management grant

Current-year receipts	500,000	500,000
Conditions met - transferred to revenue	(500,000)	(500,000)
	-	-

The whole grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met and no funds have been withheld.

Municipal systems improvement grant

Current-year receipts	735,000	735,000
Conditions met - transferred to revenue	(735,000)	(735,000)
	-	-

This grant was used to build in-house capacity for IT systems, implementation of billing and revenue related policies & by-laws as well as improving the functionality of ward committees. The conditions of the grant were met and no funds have been withheld.

LEDET

Current-year receipts	2,001,769	(2,001,769)
Conditions met - transferred to revenue	(2,001,769)	(2,000,000)
	-	**(4,001,769)**

Provincial LED projects grants are used for the planning and implementation of job creation and poverty alleviation projects. The grant was used n GGNRDP commercilisation and beneficiation projects.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	2,478,754	-
Current-year receipts	15,708,000	11,348,095
Conditions met - transferred to revenue	(18,186,754)	(8,869,341)
	-	**2,478,754**

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

	2009 R	2008 R

16. Government grants and subsidies (continued)

DBSA

	2009 R	2008 R
Current-year receipts	1,181,786	1,040,892
Conditions met - transferred to revenue	(1,181,786)	(1,040,892)
	-	-

DBSA grants are used to promote the commercialisation and beneficiation of natural based resources for the economic empowerment of local communities.

17. General expenses

	2009 R	2008 R
Advertising	243,495	243,876
Auditors remuneration	1,188,463	755,793
Bank charges	89,261	209,955
Consulting and professional fees	3,224,870	4,996,428
Consumables	241,447	398,573
Donations	16,618	96,134
Entertainment	21,196	41,403
IT expenses	-	34,481
Lease rentals	659,628	596,311
Magazines, books and periodicals	23,136	10,281
Medical expenses	1,367	5,629
Motor vehicle expenses	149,236	6,563
Fuel and oil	912,351	498,762
Postage and courier	168,928	107,011
Printing and stationery	334,004	428,930
Projects	607,166	15,345,253
Subscriptions and membership fees	293,752	136,934
Telephone and fax	912,421	937,529
Training	392,632	445,869
Travel - local	579,178	765,598
Electricity	650,151	499,423
Uniforms	187,578	38,888
Capital expenditure	19,343	258,495
Cellphones	48,466	328,566
Free basic services	4,576,035	4,222,234
Special programmes	-	56,254
General programmes	225,535	191,909
Other expenses	777,889	1,461,631
	16,544,146	**33,118,713**

Notes to the Annual Financial Statements

	2009 R	2008 R

18. Employee related costs

Basic	32,247,826	27,332,334
Medical aid - company contributions	481,943	381,439
UIF	302,222	268,975
SDL	408,268	-
Bargaining Council levies	15,841	15,871
Leave pay provision charge	1,465,543	1,926,400
Post-employment benefits (Pension / Provident)	6,262,519	5,289,841
Overtime payments	251,836	662,367
Annual Bonus	4,834,391	1,974,551
Acting allowances	316,114	-
Car allowance	1,828,940	1,132,131
Housing assitance	243,919	259,397
Clothing Allowance	39,833	2,500
Cellphone Allowance	17,478	-
	48,716,673	**39,245,806**

Remuneration of municipal manager

Accounting Officer		
Basic Remuneration	446,490	493,030
Car Allowance	100,000	136,290
Bonuses & Leave	35,463	-
	581,953	**629,320**

Chief Finance Officer		
Basic Remuneration	357,358	326,857
Car Allowance	162,000	173,634
Acting Allowances	22,460	-
	541,818	**500,491**

Corporate Services Manager		
Basic Remuneration	370,811	322,710
Car Allowance	120,000	130,264
	490,811	**452,974**

Technical Services Manager		
Basic Remuneration	385,887	337,461
Car Allowance	132,000	162,950
	517,887	**500,411**

Community Services Manager		
Basic Remuneration	312,767	301,120
Car Allowance	120,000	126,847
	432,767	**427,967**

Notes to the Annual Financial Statements

	2009 R	2008 R

19. Remuneration of councillors

Councillors	8,133,704	7,582,926
Councillors’ pension contribution	466,485	821,275
Medical aid funds	-	11,250
Travelling allowances	2,681,563	2,278,922
Cellphone allowances	521,233	530,482
UIF	1,329	435
	11,804,314	**11,225,290**

20. Debt impairment

Bad debts	9,564,528	7,431,436

21. Investment revenue

Interest revenue		
Bank	367,079	231,612
	-	-
	367,079	231,612

22. Depreciation and amortisation

Property, plant and equipment	1,589,496	1,471,956

23. Finance costs

Bank	212,254	314,050

24. Auditors' remuneration

Fees	1,188,463	755,793

25. Operating lease

GGM leases six photocopiers from Technologies Accepttances for a period of 60 months starting on 31 July 2006. The lease payment is fixed at R21 406 per month with no contingent rent payments. The lease lease agreement is not renewable at the end of lease term and GGM does not have option to purchase the photocopiers.

Future minimum lease payments		
- within one year	256,872	258,872
- in second to fifth year inclusive	256,872	513,744
- later than five years	-	-
	513,744	**772,616**

26. Contracted Services

Communication - Publications	-	250,585
Insurance - Assets	121,401	139,481
Refuse Removal	1,955,314	1,268,367
Security Services	629,804	539,145
	2,706,519	**2,197,578**

Notes to the Annual Financial Statements

	2009 R	2008 R

27. Cash generated from (used in) operations

	2009 R	2008 R
Surplus (deficit)	25,770,609	(23,673,694)
Adjustments for:		
Depreciation and amortisation	1,589,496	1,471,956
Surplus on sale of assets	(1,647,394)	(598,949)
Debt impairment	9,564,528	7,431,436
Interest received	(367,079)	(231,612)
Finance costs	212,254	314,050
Changes in working capital:		
Inventories	589,365	(1,032,285)
Trade and other receivables	(9,603,673)	(2,261,878)
Consumer debtors	(10,321,861)	(5,348,042)
Trade and other payables	8,622,808	16,462,450
VAT	(1,166,025)	(817,958)
Deferred income / Unspent conditional grants and receipts	(2,478,754)	2,478,754
	20,764,274	**(5,805,772)**

28. Unauthorised expenditure

	2009 R	2008 R
Operating Expenditure	6,290,543	-
Capital Expenditure	2,608,328	-
	8,898,871	**-**

The unauthorised expenditure of R 6,290,543 on operating votes includes an amount of R1, 465,543 in respect of accrued leave. The net effect on operating budget is there for R 4, 825,000, which also includes an amount of R 3,558,463 for benchmarking of the salaries of the employees of the municipality with those of knysna municipality in accordance with the relevant SALGBC agreement.

Total unauthorised expenditure of R 8,898,871 on both operating and capital votes is due for ratification by council in its next sitting.

29. Fruitless and wasteful expenditure

	2009 R	2008 R
Penalties on late payments to SARS	101,902	-

30. Irregular expenditure

	2009 R	2008 R
Add: Irregular Expenditure - current year	19,211,567	-

Analysis of expenditure awaiting condonation per age classification

	2009 R	2008 R
Current year	19,211,567	-

Details of Irregular Expenditure – Current year

Non-compliance with the SCM requirements	19,104,567
No-compliance with the FMG conditiom	107,000
	19,211,567

Details of Irregular Expenditure condoned

Non-compliance with the SCM requirements	To be condoned by council	19,104,567
No-compliance with the FMG conditiom	To be condoned by council	107,000
		19,211,567

Notes to the Annual Financial Statements

31. Other Income

	2009 R	2008 R
Clearance certificates	4,307	2,759
Confirmation letters	80,447	44,247
Registration & transfer	43,949	94,228
Registration of suppliers	31,410	-
Re-issue of statements	1,776	1,889
Sale of tender documents	52,702	107,450
Sundry income	131,601	107,285
Sale of grave plots	31,528	30,594
Sale of refuse bins	4,798	4,728
Uncleared traffic income/ deposits	-	(13,215)
Water connection	30,500	2,149
Water re-connection	18,684	32,193
Building plans	27,871	36,494
Cutting of trees	-	1,579
Escort fees	4,826	173
House loans	46,866	97,447
Maintenance	-	5,658
Sewer connection	28,044	21,561
Sewer unblocking	34,869	40,089
Other income - Cash Surplus	(17,955)	-
	556,223	**617,308**